

# 2011 Basic Health Rate Instructions

## General Information

The following information highlights the Basic Health (BH) rate instructions for calendar year (CY) 2011:

- The renewal bid process will be similar to CY10: The Washington State Health Care Authority (HCA) will calculate a benchmark bid rate for each county, which includes the cost impact to BH for the following items:
  - Elimination of pre-existing condition waiting period for children up to age 19 made consistent with federal law.
  - Allowing dependents up to age 26 to remain enrolled on their parent's account at the child rate.
  - Benefit adjustments to meet Mental Health Parity consistent with state law.
- Any plan that bids the benchmark rate will be considered a benchmark plan for that county. Benchmark bidders will have fewer rate derivation requirements than non-benchmark bidders. See **Rate Form B** series.
- If there is no benchmark bid in a county, that county may be open for re-bid or, at its sole discretion, HCA may choose to self-insure in that county. At HCA's sole discretion, the lowest re-bid rate may establish the benchmark rate for that county, resulting in no additional charge to enrollees.
- If an approved Medicaid Waiver is in place by January 1, 2011: BH expects to serve approximately 70,000 regular subsidized enrollees during CY11.
- If an approved Medicaid Waiver is NOT in place by January 1, 2011: BH expects to serve approximately 60,000 regular subsidized enrollees during CY11.
- As of June 2010, BH regular subsidized enrollment is approximately 65,000 members.
- Bidders will bid to cover both regular subsidized and Health Coverage Tax Credit (HCTC) enrollees in all their service areas; however, the regular subsidized bid rates and the HCTC bid rates will differ.

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## 1. General Instructions

Bidders are responsible for ensuring that their bids and service areas are accurately represented on the rate forms. Provider service areas are due to HCA by July 19, 2010.

BH will communicate to each plan the counties in which they are expected to bid the regular subsidized benchmark rate and the expected HCTC rate differential. These expectations will be based upon analyses of plan experience data performed by HCA's actuarial firm, Milliman. HCA expects that all bidders will bid benchmark in at least one county.

### Regular Subsidized Bid Options (same as CY10 procurement)

- Accept the stated regular subsidized benchmark rates for all proposed counties. These rates will apply to the plan's regular subsidized population only; or
- Accept the stated regular subsidized benchmark rate in some counties, and bid a single regular subsidized rate differential from benchmark for all other proposed counties. These rates will apply to the plan's regular subsidized population only; or
- Bid a single regular subsidized rate differential from benchmark for all proposed counties. These rates will apply to the plan's regular subsidized population only.

Bidders shall complete **Rate Form A-1** for their regular subsidized bid in accordance with the above, by placing a "Y" in column D next to each county they intend to serve.

- If the bidder accepts the regular subsidized benchmark for that county, a "Y" must be placed in the corresponding cell for column E. The spreadsheet will then automatically calculate the remaining rate tiers from the benchmark rate. (See Section 4 for an explanation of the tiers.)
- If the bidder bids the differential rate for that county, an "N" must be placed in the corresponding cell for column E **and** the amount of the differential must be entered in cell F7. Again, the spreadsheet will automatically calculate the bid rate, including the differential, and the remaining rate tiers for that county.

### Example 1: Bidder accepts benchmark in Skagit County:

	Regular Subsidized
Benchmark Rate	\$281.81
Final bid rate (40-54) (A):	\$281.81
One child 0-26 (B) = (A) * 0.38	\$107.09
2 children (C) = (B) * 2	\$214.18
3+ children (D) = (B) * 3	\$321.27
Adult 0-39 (E) = (A) * 0.78	\$219.81
Adult 40-54 (F) = (A)	\$281.81
Adult 55-64 (G) = (A) * 1.71	\$481.90
Adult 65+ (H) = (A) * 2.16	\$608.71

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Example 2: Bidder submits non-benchmark bid in Cowlitz County, at a \$30 differential:

	Regular Subsidized
Benchmark Rate	\$281.81
Final bid rate (40-54) (A):	\$311.81
One child 0-26 (B) = (A) * 0.38	\$118.49
2 children (C) = (B) * 2	\$236.98
3+ children (D) = (B) * 3	\$355.47
Adult 0-39 (E) = (A) * 0.78	\$243.21
Adult 40-54 (F) = (A)	\$311.81
Adult 55-64 (G) = (A) * 1.71	\$533.20
Adult 65+ (H) = (A) * 2.16	\$673.51

The subsidized program is exempt from state premium taxes. Consequently, bidders' rates should not include calculations for premium taxes on **Rate Form A-1**.

HCTC Bid Requirement (Note: the HCTC program is *not* exempt from state premium taxes. The payment of all taxes is the sole responsibility of the Bidder.)

- Bidders may accept the expected HCTC rate differential, or bid a new HCTC rate differential for all proposed regular subsidized counties. The "HCTC plan rate" (the amount the plan will be paid for HCTC enrollees) will be the sum of the regular subsidized county benchmark rate, the regular subsidized rate differential (if any), the HCTC rate differential, plus a two percent premium tax. See Section 3 for details on the HCTC population.

Bidders shall complete **Rate Form A-2** for their HCTC bid, in accordance with the above, by accepting or entering a new HCTC differential rate in cell D7. No other action is required on **Rate Form A-2** since the counties to be served will be the same as on **Rate Form A-1**. Again, the spreadsheet will automatically calculate the HCTC plan rate and the remaining rate tiers for that county.

Example 3: Bidder accepts the expected HCTC rate differential of \$15.38 (no change from 2010). Assuming the plan serves the regular subsidized population in Columbia County at the benchmark rate, the Bidder's Columbia county HCTC rates would be:

	HCTC
Benchmark Rate	\$322.34
Regular Subsidized Differential	\$0.00
HCTC Differential	\$15.38
2% premium tax	\$6.89
HCTC plan rate (40-54) (A):	\$344.61
One child 0-26 (B) = (A) * 0.38	\$130.95
2 children (C) = (B) * 2	\$261.90
3+ children (D) = (B) * 3	\$392.85

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Adult 0-39 (E) = (A) * 0.78	\$268.80
Adult 40-54 (F) = (A)	\$344.61
Adult 55-64 (G) = (A) * 1.71	\$589.29
Adult 65+ (H) = (A) * 2.16	\$744.36

### 2. **Benchmark Selection**

HCA's goal is that at least one health plan will be available at the benchmark rate for regular subsidized enrollees in every county, and that in counties with substantial enrollment levels, enrollees will have a choice of at least two benchmark plans. In approving a renewal for a health plan that has not accepted the published benchmark rates, HCA will give consideration to the unique value of that plan and its contribution towards quality and statewide access.

In any geographic area where none of the plans accept the benchmark rate, or access guidelines are not met, HCA may designate additional non-benchmark plan(s) to be available to enrollees at the enrollee benchmark premium. This will not affect the rates paid to the plan(s).

Except in the case of non-benchmark plans being specially designated as available at the enrollee benchmark premium described above, regular subsidized enrollees who select non-benchmark plans will pay more than enrollees who select benchmark plans. They will pay the selected plan rate minus the state contribution, as all regular subsidized enrollees do, but the state contribution is based on the benchmark rate and not the plan rate.

### 3. **Enrollment**

For the purpose of this renewal, there are two types of BH enrollees: regular subsidized, and HCTC. Further, the regular subsidized and HCTC groups are considered one risk pool, but their rates may differ based on plan benefit differences.

#### **Regular Subsidized Enrollment**

No person who is eligible for Medicare may enroll, or remain enrolled, in regular subsidized BH.

To qualify for enrollment, members must have an income that is less than or equal to 200 percent of the Federal Income Guidelines (FIG). The exception is foster parents, who may enroll with incomes less than or equal to 300 percent of the FIG. The FIG is updated annually in July. HCA reserves the right to manage total enrollment in the program based upon available funding.

Regular subsidized adult enrollees are subject to a nine-month waiting period for pre-existing conditions. (This does not apply to children up to age 19, maternity care, routine diabetes care or prescription drugs.) The nine-month waiting period for pre-

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existing conditions begins on the first date of coverage for a new adult enrollee. In the event that, due to budgetary constraints, BH delays enrollment for an adult applicant who has otherwise completed the enrollment process and been determined eligible for enrollment, the length of the delay will be credited toward the affected enrollee's pre-existing condition waiting period, up to a maximum of three months.

### **HCTC Enrollment**

HCTC enrollees are certain workers and members of their families, determined eligible by the Federal government under the Federal Trade Act of 2002 (PL 108-210, aka NAFTA), who lose their jobs due to the effects of international trade and certain Pension Benefit Guaranty Corporation (PBGC) benefit recipients. Under HCTC coverage, the Federal government subsidizes eligible individuals' health insurance at 65 percent of total premium through the Internal Revenue Service (IRS).

Applicants verified for HCTC enrollment are not required to meet the eligibility criteria for regular subsidized BH, including income levels, residence, and Medicare ineligibility. However, because HCTC eligibility criteria does not allow for those who are entitled to Medicare, the number of enrollees age 65 or over is expected to be very limited.

HCTC enrollment is independent of and not constrained by the member limit on the regular subsidized population. As of May 2010, HCTC enrollment is 175 members, including dependents. HCA estimates that CY11 total enrollment growth will continue to be very gradual.

HCA notes that federal regulations prohibit rate discrimination between HCTC enrollees and other enrollees, except in the case where there are plan benefit design differences. This means that HCTC bid rates may differ from regular subsidized bid rates only to the extent that maternity and pre-existing condition waiting period costs may differ between the two populations; bid rates may not differ based on adverse selection estimates. This is the reasoning behind the single HCTC rate differential for all counties served.

### **4. Rates Paid to Plans**

HCA will pay monthly rates to successful bidders for enrolled regular subsidized and HCTC members based on a structure that is tiered according to age. The regular subsidized base rate will be the regular subsidized benchmark rate plus the plan's regular subsidized differential (if any) for a regular subsidized adult, age 40 to 54 years old. The HCTC base rate will be the regular subsidized benchmark rate, plus the plan's regular subsidized differential (if any), plus the plan's HCTC differential (calculated to be \$15.38 - no change from 2010) for an HCTC adult, age 40 to 54 years old, plus a two percent premium tax. The rates for enrollees in other age tiers will be calculated to reflect multiples of these base rates as listed below:

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### Age Factors

**Adult Age 40-54:** regular subsidized or HCTC base rate

**One Child Age 0-26:** base rate multiplied by 0.38

**Two Children:** one child rate multiplied by 2.00

**Three or more Children:** one child rate multiplied by 3.00

Note: A family may include any number of enrolled children, but the bidders will be paid only for the first three.

**Adult Age 0-39:** base rate multiplied by 0.78

**Adult Age 55-64:** base rate multiplied by 1.71

**Adult Age 65 or more:** base rate multiplied by 2.16

These rate relationships are automatically incorporated into the calculations of **Rate Forms A-1** and **A-2**, including the two percent premium tax for HCTC enrollees.

For the purposes of rates, dependents and disabled dependents that are less than 26 years old will be assigned the “child” age 0-26 rates. Enrollees who are less than age 26 but not dependents, or disabled dependents 26 years or older, will be assigned the “adult” age 0-39 rates.

For the purposes of rates, an enrollee’s age will be based on the actual age as of January 1st of the plan year, regardless of the date when BH coverage began. Rates paid to plans and premiums charged to enrollees will not increase due to age during the course of the plan year.

There will be no HCA risk adjustment of bid rates for successful bidders in the BH programs for the plan year 2011.

### **5. Premiums Charged to Enrollees**

#### Regular Subsidized Premiums

Premiums charged to regular subsidized enrollees will be equal to the bid rates of the successful bidders minus a state contribution. The state contribution will vary by income. Subsidized enrollees in lower income groups will receive a greater subsidy than similarly-aged enrollees in higher income groups.

The table below lists the enrollees’ share of premium costs for any benchmark plan (as noted in section 2, enrollees who select non-benchmark plans will generally pay a greater share of the premium).

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### CY 2011 Regular Subsidized Enrollee Share for Benchmark Plans in all Counties

<u>Percent of Federal Poverty Level (FPL)</u>	<u>Enrollee (40-54 years old) Benchmark Plan Premium</u>
Under 65% FPL	\$34.00 (all ages)
65% - less than 100%	\$45.00 (all ages)
100% - less than 125%	\$60.00 (all ages)
125% - less than 140%	\$89.96 (then age adjusted, but not less than \$60.00)
140% - less than 155%	\$112.45 (then age adjusted, but not less than \$60.00)
155% - less than 170%	\$137.75 (then age adjusted, but not less than \$60.00)
170% - less than 185%	\$167.03 (then age adjusted, but not less than \$60.00)
185% - equal to 200%	\$199.13 (then age adjusted, but not less than \$60.00)

Premiums charged for enrollees receiving financial sponsorship will be determined in the same manner as premiums charged for other regular subsidized enrollees.

However, any financial sponsors that also provide BH services (including but not limited to medical plans, clinics, provider groups, etc.) will be required to contribute a minimum premium per enrollee. The CY11 minimum sponsor premium will be 133 percent of the member premium, rounded to the nearest cent, per month per sponsored enrollee.

Home Care Workers (HCW) and foster parents who enroll in regular subsidized BH, with an income less than or equal to 200 percent of the FIG, will pay the same premium as those under 65 percent FPL in the above table, regardless of age or income. Foster parents with incomes between 201 and 250 percent of the FIG will pay a premium of \$50, and foster parents with incomes between 251 and 300 percent of the FIG will pay a premium of \$100. Dependents of HCW and foster parents will pay the same premium as any other subsidized enrollee in their age and income band.

Successful bidders will be paid the same monthly rate for all regular subsidized enrollees in the same age band, regardless of enrollee income or whether the enrollee is enrolled through an employer or financial sponsor, or is an HCW or foster parent.

### HCTC Premiums

HCTC enrollees are charged the HCTC plan rate plus a nominal fee per adult per month for HCA program administration. The enrollee pays 35 percent of the billed amount, and the IRS pays 65 percent. The HCTC plan rate consists of:

- the regular subsidized benchmark rate; plus
- the selected plan's regular subsidized bid rate differential (if any); plus
- HCTC bid rate differential (calculated to be \$15.38 – no change from 2010); plus
- the two percent premium tax under RCW 48.14.0201

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### 6. Rate Form Series A

**Rate Forms A-1** and **A-2** are Microsoft Excel worksheets that are designed to automatically calculate rates corresponding to the letters (B) through (H) (refer to example bids in Section 1), based on the calculations for rates corresponding to letter (A).

### 7. Basic Health Derivation of Rates and Assumptions Rate Form B-1

Bidders must show the derivation of their plan year 2011 regular subsidized rates and assumptions by completing **BH Rate Form B-1**. **Rate Form B** is the instruction set for completing **Rate Form B-1**.

Bidders who accept regular subsidized benchmark rates in their entire service area do not need to submit **Rate Form B-1**.

Bidders who accept regular subsidized benchmark rates in less than their entire service area must submit:

- One copy of **Rate Form B-1** for all their benchmark counties in aggregate; and
- *Individual* copies of **Rate Form B-1** for all other counties in their service area.

All data on each **Rate Form B-1** is derived from and applies only to those county(ies) listed on that particular form, and only to the regular subsidized population. Bidders may create multiple copies of **Rate Form B-1** by duplicating additional worksheet pages in the rates workbook.

HCA expects that all bidders will accept the HCTC differential of \$15.38 (no change from 2010). However, all bidders who bid an HCTC rate differential other than the calculated \$15.38 must submit actuarial documentation in a format that clearly justifies the rate differential. This documentation should include expected increases in utilization by category of service, along with unit costs and per member per month (pmpm) estimates, and may not be based on estimated adverse selection rates.

### 8. Plan Mergers

If a Bidder(s) submits a proposal and is involved in an acquisition of assets or merger with another organization prior to January 1, 2011 and that organization also submits a proposal, HCA will blend the proposed rates using a weighted average (based on enrollment) for each program bid.